



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive		= Neutral	- Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✓

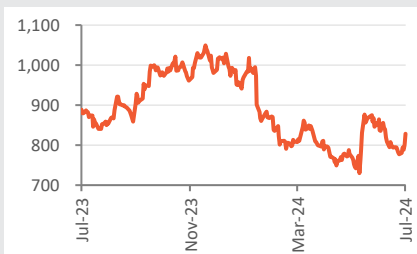
Company details

Market cap:	Rs. 19,572 cr
52-week high/low:	Rs. 1,058 / 700
NSE volume: (No of shares)	9.0 lakh
BSE code:	500260
NSE code:	RAMCOCEM
Free float: (No of shares)	13.6 cr

Shareholding (%)

Promoters	42.3
FII	7.4
DII	34.5
Others	15.8

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-4.2	3.9	-15.9	-6.8
Relative to Sensex	-7.6	-6.4	-28.9	-28.7

Sharekhan Research, Bloomberg

The Ramco Cements Ltd

Operational profitability compensates for low volumes

Cement	Sharekhan code: RAMCOCEM		
Reco/View: Buy	↔	CMP: Rs. 828	Price Target: Rs. 1,010 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- We retain a Buy with an unchanged PT of Rs. 1,010, as roll forward of valuation to H1FY2027E earnings offset a downward revision in earnings estimates.
- Ramco reported a marginal miss on standalone revenues owing to muted volume growth for Q1FY2025. However, EBITDA/tonne beat estimates owing to higher than expected realizations.
- Management upped capacity target by FY2026 to 30 mtpa from 26 mtpa as it plans de-bottlenecking and brownfield expansions. Capex guidance for FY2025 stay at Rs. 1,200 crore.
- Net debt inched up q-o-q to Rs. 4975 crore. However, it plans monetization of non-core assets worth Rs. 1000 crore over the next 12 months.

Ramco reported marginally lower than estimated standalone revenues at Rs. 2088.4 crore (down 6.8% y-o-y) for Q1FY2025 led by lower-than-expected volumes (up 1.3% y-o-y as against our estimate of 8% y-o-y growth), which was partially offset by higher than expected realisations (down 8.1% y-o-y vs our estimate of 9.4% y-o-y dip). Higher-than-estimated realisations led by a beat on blended EBITDA/tonne, which stood at Rs. 733 (our estimate of Rs. 670/tonne) as overall opex/tonne stayed in-line. Standalone profit fell 6.5% y-o-y at Rs. 319 crore (3% higher than our estimate) while net profit declined 55% y-o-y at Rs. 35.5 crore (5% lower than our estimates) led by higher interest expense (up 21% y-o-y) and higher depreciation (up 13% y-o-y). The doubling of clinker and cement capacities to 6.3 mtpa and 3 mtpa in Kolimigundla with 15MW of WHRS remains on track to be commissioned by Q4FY2026. It has increased its cement capacity target to 30 mtpa from 26 mtpa owing to de-bottlenecking of existing capacities and brownfield expansions. It maintained capex target for FY2025 at Rs. 1200 crore.

Key positives

- Blended realisations beat estimates at Rs. 4792/tonne as against our estimate of Rs. 4722/tonne.
- Blended EBITDA/tonne of Rs. 733 came in higher than our estimate of Rs. 670 led by higher than estimated realisations.
- Cement capacity target for FY2026 revised upwards to 30 mtpa from 26 mtpa earlier as it plans de-bottlenecking and brownfield expansions.

Key negatives

- Consolidated revenues lagged estimates led by marginal volume growth of 1% y-o-y as against our expectation of 8% y-o-y growth.
- Net debt rose by Rs. 153 crore q-o-q to Rs. 4975 crore.

Management Commentary

- By March 2026, Ramco is on track to achieve cement capacity of 30 MTPA by commissioning of 2nd line in Kolimigundla along with de-bottlenecking of existing facilities and adding grinding capacities in existing locations with minimal capex.
- Ramco has taken steps to effectively monetise non-core assets worth Rs. 1,000 Crores in the next 12 months
- During Q1FY25, blended fuel consumption per tonne for cement is equivalent to \$ 137 (Cost per Kcal: Rs. 1.49) as against \$ 170 (Rs.2.03) during Q1FY24. Current spot CIF prices of pet coke is at \$ 110. As on 1-4-2024, the green power capacity is 209 MW. This will be increased to 219MW by the end of FY25 and 234 MW by end of FY26.

Revision in estimates – We have lowered our net earnings estimates for FY2025-FY2026, factoring in marginally lower volumes and weaker realisations.

Our Call

Valuation – Retain BUY with an unchanged PT of Rs. 1,010: Ramco's focus on the non-trade segment and improved growth outlook for its region of operations is expected to lead to healthy volume growth despite a likely increase in competitive intensity from national players. However, improvement in the pricing environment would remain a key monitorable. The company's focus on premiumisation and better cost efficiencies is expected to boost operational and net profitability. The company's front-loading of capital expenditure for future expansions is expected to yield benefits at lower costs for organic expansions. We introduce our FY2027E earnings in this note. At the CMP, the stock trades at an EV/EBITDA of 13x/11x its FY2026E/FY2027E earnings, which we believe provides further room for an upside. Consequently, we retain BUY with an unchanged price target (PT) of Rs. 1,010, as roll forward of valuation to H1FY2027E earnings negate downward revision in estimates.

Key Risks

Weak demand and pricing environment in South India would affect profitability.

Valuation (Standalone)

Particulars	FY24	FY25E	FY26E	FY27E
Revenue	9,350	9,367	10,534	11,850
OPM (%)	16.6	15.9	17.4	18.7
Adjusted PAT	395	297	556	826
YoY growth (%)	15.0	-24.7	87.1	48.6
Adjusted EPS (Rs.)	16.7	12.6	23.5	35.0
P/E (x)	49.6	65.8	35.2	23.7
P/B (x)	2.7	2.7	2.5	2.3
EV/EBITDA (x)	15.5	16.4	13.3	10.9
RoNW (%)	5.7	4.1	7.3	10.1
RoCE (%)	5.5	4.8	6.4	8.0

Source: Company; Sharekhan estimates

Key Management Commentary

- ♦ **Capacity expansion:** By March 2026, the company is on track to achieve cement capacity of 30 MTPA by commissioning of second line in Kolimigundla along with de-bottlenecking of existing facilities and adding grinding capacities in existing locations with minimal capex.
- ♦ **Ongoing capex:** In Kolimigundla, a thermal power plant of 18 MW is commissioned in Jul-24 and trials are being taken and the railway siding will be commissioned in Sep-24. The Company has started to see synergies in the cost for usage of limestone mined from the lands purchased from Prism. Line-2 in Kolimigundla consist of 3.15 MTPA clinker and 1.5 MTPA cement grinding with 15 MW WHRS are expected to be commissioned in FY26. A WHRS capacity of 10 MW in RR Nagar is expected to be commissioned in Mar-25. The new unit for building products in Jayanthipuram has been commissioned during this quarter and in Orissa, it is expected to be commissioned in September 2024.
- ♦ **Debt:** Net debt as on 30-6-2024 is Rs. 4,975 crores with net debt to EBITDA is at 3.79 times. The cost of debt for Q1 FY25 is at 7.92% as against 7.95% in Q1 FY24.
- ♦ **Power & fuel:** Power & fuel cost per tonne of cement for Q1FY25 decreased to Rs. 1,300/- compared to Rs. 1,758/- in Q1 FY24. The change in utility of sale of wind power to captive use has also helped to reduce the overall power cost. The overall green power usage has improved from 29% in Q1 FY24 to 33% in Q1 FY25 in view of change in utility of wind power to captive purposes. The current spot CIF prices of pet coke is at \$ 110. As on 1-4-2024, the green power capacity is 209 MW. This will be increased to 219 MW by the end of FY25 and 234 MW by the end of FY26.
- ♦ **Capex:** During Q1FY25, the company has incurred Rs. 281 crore towards capex, including maintenance capex. The capex guidance for FY25 is estimated to be at Rs.1,200 crores including maintenance capex.
- ♦ **Monetisation:** The company has taken effective steps to monetise certain non-core assets worth of around Rs.1,000 crore in the next 12 months.

Results (Standalone)

Particulars	Q1FY2025	Q1FY2024	Y-o-Y (%)	Q4FY2024	Q-o-Q (%)
Net Sales	2088.4	2241.1	-6.8	2673.3	-21.9
Total Expenditure	1769.0	1899.6	-6.9	2256.2	-21.6
Operating profits	319.4	341.5	-6.5	417.1	-23.4
Other Income	8.5	7.9	7.7	14.0	-39.3
EBITDA	327.9	349.4	-6.1	431.1	-23.9
Interest	113.1	93.4	21.1	103.8	9.0
PBDT	214.9	256.0	-16.1	327.3	-34.4
Depreciation	166.7	147.9	12.7	165.1	1.0
PBT	48.2	108.1	-55.4	162.3	-70.3
Tax	12.7	29.2	-56.6	40.9	-69.0
Extraordinary items	0.0	0.0	-	0.0	-
Reported Profit After Tax	35.5	78.9	-55.0	121.4	-70.8
Adjusted PAT	35.5	78.9	-55.0	121.4	-70.8
EPS (Rs.)	1.5	3.3	-55.0	5.1	-70.8
			BPS		BPS
OPM	15.3%	15.2%	6	15.6%	-31
PAT	1.7%	3.5%	-182	4.5%	-284
Tax rate	26.3%	27.0%	-70	25.2%	109

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector View – Improving demand brightens the outlook

The cement industry has seen sustained improvement in demand in the past 15 years. Barring a couple of years, regional cement prices have been rising over the trailing five years. The cement industry is expected to witness improvement in demand as the situation normalises from the second wave of COVID-19, led by infrastructure and the rural market. A strong pick-up in the residential real estate sector is expected to be sustained after the second wave of COVID-19. The sector's long-term growth triggers in terms of low per capita consumption and demand pegged at 1.2x GDP remain intact. The government's Rs. 111-lakh crore infrastructure investment plans from FY2020 to FY2025 would lead to a healthy market.

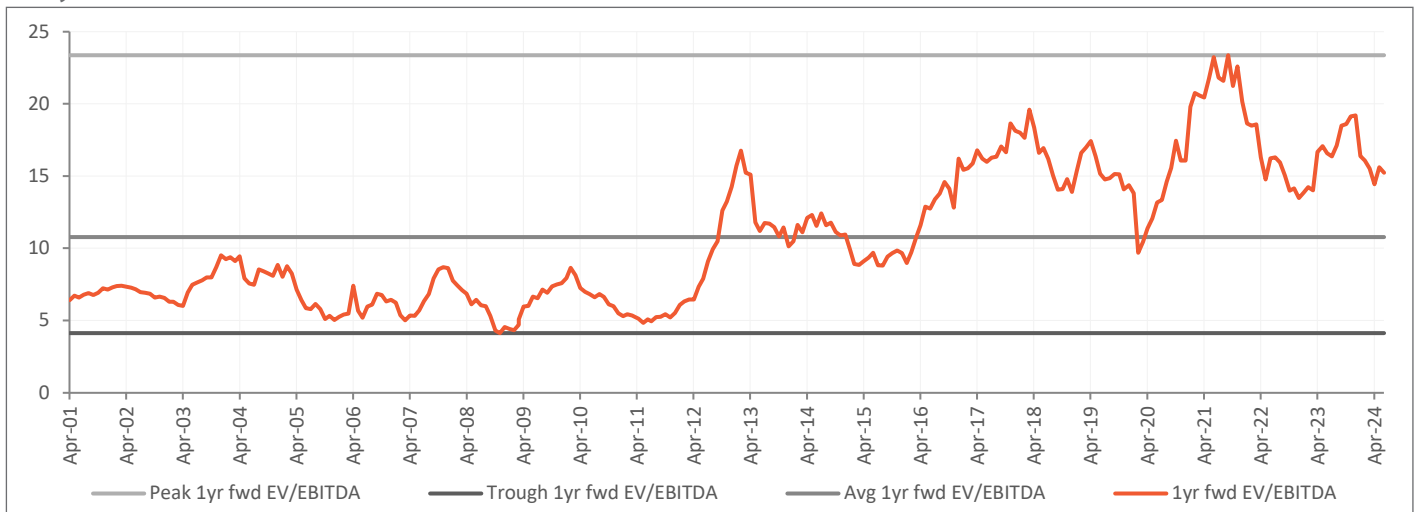
■ Company Outlook – Capacity additions expected to capture growth opportunities

The ongoing capex plan is to create new grinding and clinker capacities to help it tap growth potential in the eastern region and establish itself as a significant player. Front-loading of capex for future expansions would help it to add incremental organic capacities at lower costs, although it has led to lower return ratios in the interim. Overall, it would be reaching 30mtpa cement capacity, and 234 MW green power capacity by FY2026. The company is poised for a strong earnings growth trajectory over the next two years.

■ Valuation – Retain Buy with an unchanged PT of Rs. 1,010

Ramco's focus on the non-trade segment and improved growth outlook for its region of operations is expected to lead to healthy volume growth despite a likely increase in competitive intensity from national players. However, improvement in the pricing environment would remain a key monitorable. The company's focus on premiumisation and better cost efficiencies is expected to boost operational and net profitability. The company's front-loading of capital expenditure for future expansions is expected to yield benefits at lower costs for organic expansions. We introduce our FY2027E earnings in this note. At the CMP, the stock trades at an EV/EBITDA of 13x/11x its FY2026E/ FY2027E earnings, which we believe provides further room for an upside. Consequently, we retain BUY with an unchanged price target (PT) of Rs. 1,010, as roll forward of valuation to H1FY2027E earnings negate downward revision in estimates.

One-year forward EV/EBITDA (x) band



Source: Sharekhan Research

Peer Comparison

Particulars	P/E (x)		EV/EBITDA (x)		P/BV (x)		RoE (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
UltraTech	49.9	37.5	26.6	20.8	5.2	4.7	10.9	13.2
Shree Cement	33.0	27.9	16.6	14.0	4.3	3.8	13.9	14.6
The Ramco Cement	65.8	35.2	16.4	13.3	2.7	2.5	4.1	7.3
Dalmia Bharat	37.5	30.5	13.0	11.0	2.0	1.9	5.5	6.4

Source: Sharekhan Research

About company

Ramco is the fifth largest cement producer in the country, operating in southern India with an installed capacity of 18.79 mtpa. The company also produces ready-mix concrete and dry mortar products and operates one of the largest wind farms in the country.

Investment theme

Southern India has started showing signs of cement price improvement along with rising capacity utilisation over the trailing five quarters. Ramco, being one of the most efficient cement players, is expected to reap benefits from healthy demand, better pricing, and a benign opex environment. Ramco has embarked on a capex plan to outpace its industry peers on cement volume growth. This, along with improving cement prices, is expected to lead to strong growth in net earnings during FY2023-FY2025.

Key Risks

- ♦ Correction in cement prices in the south and/or sharp upward movement in power and fuel and freight costs to negatively affect profitability.
- ♦ Deterioration in cement demand in the south leading to lower utilisation to negatively affect net earnings.

Additional Data

Key management personnel

P. R. Venketrama Raja	Executive Director-Chairperson
A. V. Dharmakrishna	Chief Executive Officer
S. Vaithyanathan	Chief Financial Officer
K. Selvanayagam	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Ramco Industries Ltd.	21.36
2	Rajapalayam Mills Ltd.	13.81
3	Life Insurance Corp of India	8.70
4	Kotak Mahindra Asset Management Co.	6.64
5	Government of Tamil Nadu	3.39
6	SBI Life Insurance Co Ltd.	2.76
7	The Vanguard Group Inc.	2.04
8	HDFC Life Insurance Co. Ltd.	2.00
9	L&T Mutual Fund Trustee Ltd./India	1.97
10	SBI Funds Management Ltd.	1.81

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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